

NMPP ENERGY

ANNUAL REPORT

2018-2019



OUR PRODUCT IS ENERGY.

OUR MISSION IS SERVICE.

OUR POWER IS PEOPLE.

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ENERGY™

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CONTENTS

From the Executive Director	3
Nebraska Municipal Power Pool	4
Municipal Energy Agency of Nebraska	8
National Public Gas Agency	12
Public Alliance for Community Energy	14

FROM THE EXECUTIVE DIRECTOR



ROBERT POEHLING
Executive
Director

Compiling NMPP Energy's Annual Report is a time to briefly reflect on the year's past achievements. I say "briefly" because today's energy industry moves at lightning pace. Staying ahead of the curve to address energy trends while seeking opportunities to benefit NMPP Energy's four organizations takes a supreme effort of talented staff and engaged and dedicated individuals serving on various boards and committees.

Fiscal year 2018-19 was marked with many successes for each of the organizations. The following are just a few accomplishments of the organizations of NMPP Energy during the year:

NEBRASKA MUNICIPAL POWER POOL

- NMPP revamped its utility training program, providing added value to member municipal utilities. Training sessions covering a variety of topics were strategically held in three locations to maximize attendance opportunities for utility personnel.
- Staff facilitated a new Utility Sharing Service to help in addressing workforce shortage challenges for smaller utilities.
- NMPP continued to serve its member communities through a variety of services, including its Electric Distribution Service program, Cost of Service Utility Rate Studies, regulatory and environmental reports. In partnership with Salt Creek Software, it also serviced more than 170 PowerManager software users.

MUNICIPAL ENERGY AGENCY OF NEBRASKA

- The MEAN Board and Management Committee approved a 5.8 percent decrease in MEAN's overall targeted revenue requirement for fiscal year 2019-20. This marked the fourth straight year

that MEAN lowered its targeted revenue requirement, which is the total net revenue required to cover MEAN's cost of operation.

- MEAN expanded its renewable energy portfolio as the Kimball Wind Facility went into commercial operation. MEAN signed a power purchase agreement for the output of the facility, which has a nameplate capacity of 30 megawatts.
- A partnership was finalized with The Energy Authority for portfolio management, energy trading and dispatching services.

NATIONAL PUBLIC GAS AGENCY

- The NPGA Board approved a gas supply contract with the Public Energy Authority of Kentucky that will provide discounted natural gas that will lower costs for NPGA members.
- Staff assisted members in executing Asset Management Arrangements on two pipelines that will result in savings for NPGA members served by those pipelines.

PUBLIC ALLIANCE FOR COMMUNITY ENERGY

- ACE continued to provide competitive pricing in the annual Choice Gas Program and maintained its market share by securing nearly 18,000 accounts.

■ The ACE Board approved distributing \$300,000 back to its member communities through its revenue distribution program. Since ACE's inception, ACE has returned more than \$2.4 million to its member communities.

■ ACE continued advocating for all customers in the program, spending significant time meeting with other entities and discussing possible program improvements.

This list is just a sample of the diverse issues that NMPP Energy's dedicated staff work on for the benefit of the members we serve as we continue to adhere to the five tenets of NMPP Energy's culture:

- Member Driven
- Service Driven
- Economic Value Driven
- Values Driven
- Staff Driven

Thank you for taking time to look through the 2018-19 Annual Report. The accomplishments this fiscal year would not be possible without the leadership of dedicated boards and committee members who direct and guide the organizations.

Robert Poehling
Executive Director/CEO

NEBRASKA MUNICIPAL POWER POOL

UTILITY RELATED SERVICES

Formed in 1975, the Nebraska Municipal Power Pool provides utility-related services to its 185 members. Service areas include electric distribution, cost of service utility rate studies, utility/business software, utility safety training, advocacy, education and regulatory assistance.



Revamped Training Program

NMPP revamped its utility training program, streamlining the program yet still making it available to municipal utilities across NMPP's large regional footprint. The sessions were held in three locations across Nebraska (Lincoln, Broken Bow and Sidney) with 41 utilities participating and more than 180 participants attending. The sessions included professional training opportunities and presenters on a variety of industry topics.

 See NMPP services at:
NMPPEnergy.org/services

HIGHLIGHTS

Electric Distribution Service

NMPP served 40 utilities through its Electric Distribution Services program, which provides hands-on utility expertise and assistance to member utilities in proactively maintaining reliable local electric distribution systems.

Facilitation of Utility Sharing Service

To help address utilities facing workforce and resource challenges, NMPP facilitated shared utility services agreements between the cities of Pierce and Battle Creek and between Stuart and Spencer in Nebraska. The agreements could serve as a potential template for other utilities looking to overcome workforce challenges by neighboring communities/utilities working together and sharing resources.

Regulatory/ Environmental Reports

Through its Regulatory Assistance Services, staff completed more than 50 reports for more than 20 member utilities to fulfill regulatory and environmental reporting requirements. These reports include forms EIA 860 (Annual Electric Generator Report), EIA 861 (Annual Electric Power Industry Report) and EIA 923 (Annual Report Plant Operations Report).

Staff also completed several Certificate of Compliance/Air Emissions Inventory Reports and NOx reports for utilities to fulfill reporting requirements by the Nebraska Department of Environmental Quality.



Energy Efficiency Programs

NMPP continued administrating the LED Commercial Lighting Program for long-term power participants of the Municipal Energy Agency of Nebraska (MEAN). Overall, there were more than 90 lighting projects in 27

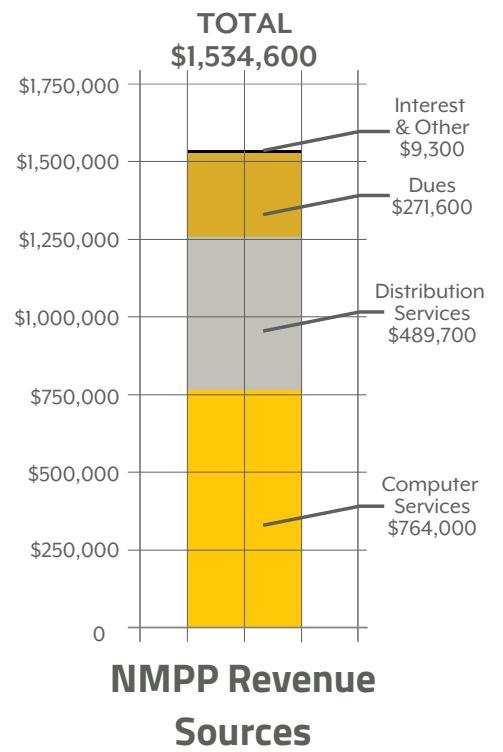
communities approved during the year totaling more than \$93,000 in approved applications.

Upgrading to LED lighting results in improved energy efficiency for businesses and communities served wholesale electricity by MEAN. Since the program's inception the total energy savings estimated is 1.9 million kilowatt-hours (1,900 megawatt-hours).

MEAN will be expanding its offerings of energy efficiency programs in 2019-20. The MEAN Board approved adding three new retail-level programs that will roll out during Summer 2019. The programs to be added include financial incentives for purchasing programmable thermostats, tune-up service maintenance on residential AC cooling units and home insulation.



NEBRASKA MUNICIPAL POWER POOL



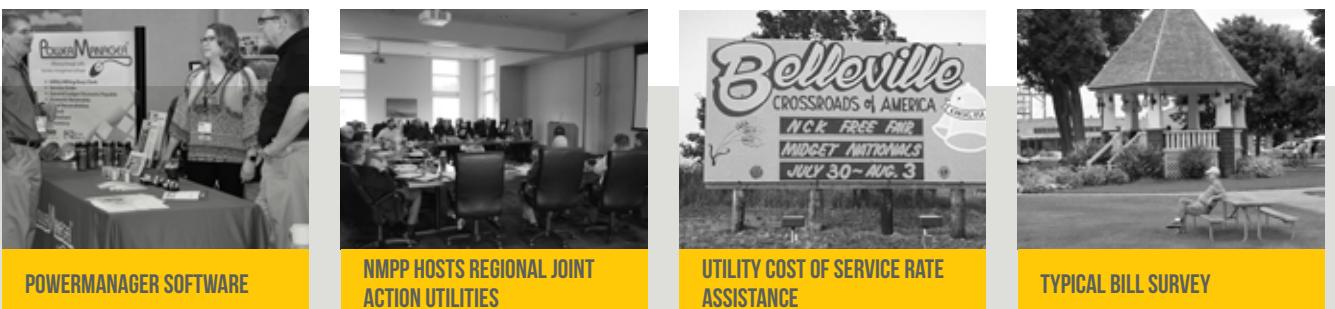


NMPP 2018-19 OFFICERS

President: **Darrel Wenzel**, chief executive officer,
Waverly (Iowa) Utilities

Vice President: **Jeff Wells**, city manager,
Fort Morgan, Colo.

Secretary/Treasurer: **Jim Hawks**, city administrator,
North Platte, Neb.



NMPP, along with Salt Creek Software, serviced 176 users of PowerManager software. Nearly 95 percent of users are under NMPP's Value Support Plan, which keeps users on the most current software versions.

Approximately 90 participants attended the annual PowerManager Refresher and Training Courses during the year, staying up to date on improvements within each of the software programs.

NMPP hosted the annual meeting of the Midwest States Public Power Association. The group, consisting of joint action electric utilities from Iowa, Illinois, Missouri, Kansas, Oklahoma, South Dakota and Minnesota, meets annually and by conference call as needed to discuss best practices and topics of collective interest.

Through its Financial Planning, Cost of Service/Rate Design service, NMPP manages more than 100 agreements, which includes electric, water and wastewater studies. NMPP has experienced significant growth in this service over the last several years as utilities benefit from this cost-based service to remain financially healthy.

Engineering services staff completed its 35th annual Typical Bill Survey for participating member and non-member utilities. The survey includes electric, water and wastewater retail rates. Of the 141 utilities that participated in the survey, 116 were members and 25 non-members. The composite data reflect ranking of typical bills by utility for each rate service class and usage level. The survey is a helpful tool in providing benchmarks for where utilities stands among other regional municipal utilities.

Advocacy and Education

Staff maintained and strengthened relationships with Nebraska and regional entities and utilities to increase advocacy, educational and services opportunities for members. NMPP was active with the following entities in Nebraska:

- Nebraska Chamber of Commerce Economic Development Council
- Nebraska League of Municipalities
- Nebraska Energy Efficiency Partnership
- Nebraska Solar Electric Partners Group
- Nebraska Economic Developers Association
- Nebraska Electric Vehicle Task Force
- National Rural Economic Developers Association

Outside of Nebraska, staff was engaged with the following groups:

- Midwest State Public Power Association
- Rocky Mountain Utilities Efficiency Exchange
- Colorado Municipal League
- Colorado Association of Municipal Utilities
- Economic Development Council of Colorado
- American Public Power Association

Champions Program

The NMPP Board approved four new Champions during this fiscal year:

- Community Broadband Action Network
- Dogwood Energy LLC
- Gen Pro Energy Solutions, and
- Sol Systems

The program now has 34 total Champion businesses that support NMPP Energy's efforts to provide products and services to members.



MEAN

MUNICIPAL ENERGY AGENCY OF NEBRASKA

WHOLESALE ELECTRIC SUPPLY

Formed in 1981, the Municipal Energy Agency of Nebraska provides wholesale electric supply and related services to 69 participating communities in Colorado, Iowa, Nebraska and Wyoming.



Board approves rate decrease

The MEAN Board and Management Committee approved a 5.8 percent decrease in MEAN's overall targeted revenue requirement for fiscal year 2019-20.

As part of the overall decrease, the Board and Management Committee also approved a 5 percent decrease in MEAN's

energy rate for its 56 long-term (Schedule K and M) wholesale electric Participants and a 3.3 percent decrease in its fixed cost recovery charge. Additionally, the energy rate for MEAN's wind-generation resources decreased 9.8 percent.

This marked the fourth straight year that MEAN lowered its targeted revenue requirement, which is the total net revenue required to cover MEAN's cost of operation.

HIGHLIGHTS



Review of governance structure

The MEAN Board approved establishing a Governance Review Committee, comprised of up to 20 at-large representatives, to look at ways of streamlining the governance of MEAN. While the duties, vision and mission of MEAN will remain intact, the committee will be seeking ways to improve governance efficiencies, including reviewing committee structure.

Municipal generation workshop

Nearly 40 participants representing more than 90 percent of MEAN's member utilities that have local municipal electric generation units attended a workshop in the fall focusing on generation. Topics included compliance, reliability, operations, training, services and a presentation on meters, relays and operational procedures.

Transition of dispatch services

MEAN formed a partnership with The Energy Authority (TEA) that will provide MEAN with portfolio management, RTO market management and trading, bilateral energy trading and analytical services. TEA, based in Jacksonville, Fla., has extensive experience working with public power entities in the areas of portfolio management services.

Replacement of telemetry/metering equipment

Staff continued a multi-year project of replacing/upgrading telemetry and metering equipment in wholesale electric participant communities to stay current with today's technology.

Maintaining reliability of local generators

The success rate of the annual reliability testing of local generators continued to be high. These units serve as part of MEAN's energy capacity portfolio as well as to serve as backup electric generation for each of the respective communities that have committed total capacity and energy output of their units to MEAN.

EXPANDING RENEWABLE ENERGY

MEAN expanded its renewable energy resource pool as the new Kimball, Neb., Wind Facility went into commercial operation in June. MEAN signed a power purchase agreement for the output of the new facility, which has a nameplate capacity of 30 megawatts. The facility includes 12 turbines and replaces the 10.5 megawatt MEAN Kimball Wind Project, which was decommissioned in 2017 to make way for the larger project. The prior project was in operation for nearly 15 years.

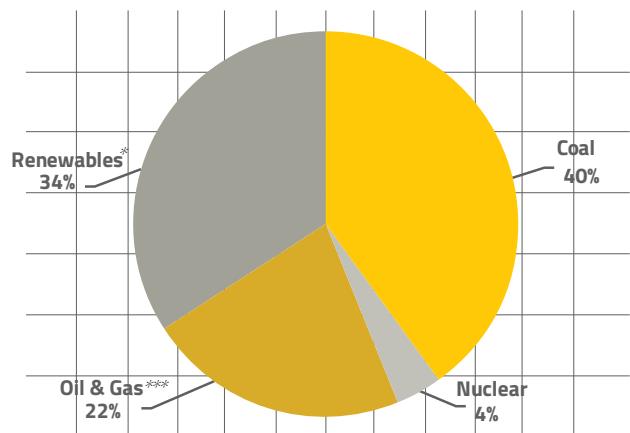
The output from the new Kimball Wind Facility will be part of MEAN's overall wind resource pool in which MEAN's wholesale power participants can subscribe for renewable energy at varying levels, according to each community's discretion.

MUNICIPAL ENERGY AGENCY OF NEBRASKA

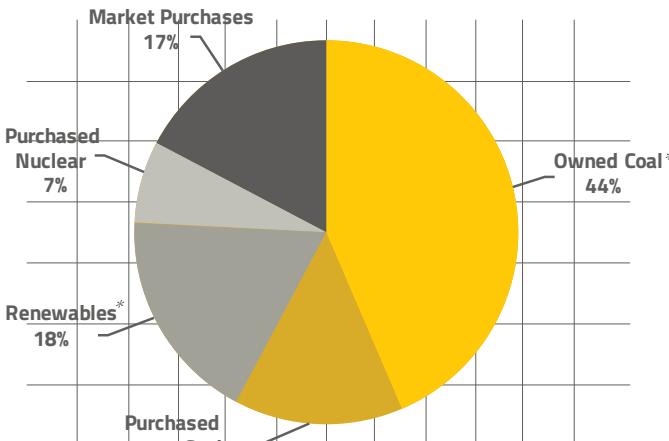


LONG-TERM POWER SUPPLY RESOURCES

(MW capacity available as of March 2019)



SOURCES OF ENERGY (2018-19 MWh)



*Including wind, Western Area Power Administration (WAPA) and other renewable generation

**Includes participation in Whelan Energy Center Unit 2 and MEAN's ownership interests in Laramie River Station, Walter Scott Energy Center Unit 4 and Wygen Unit 1

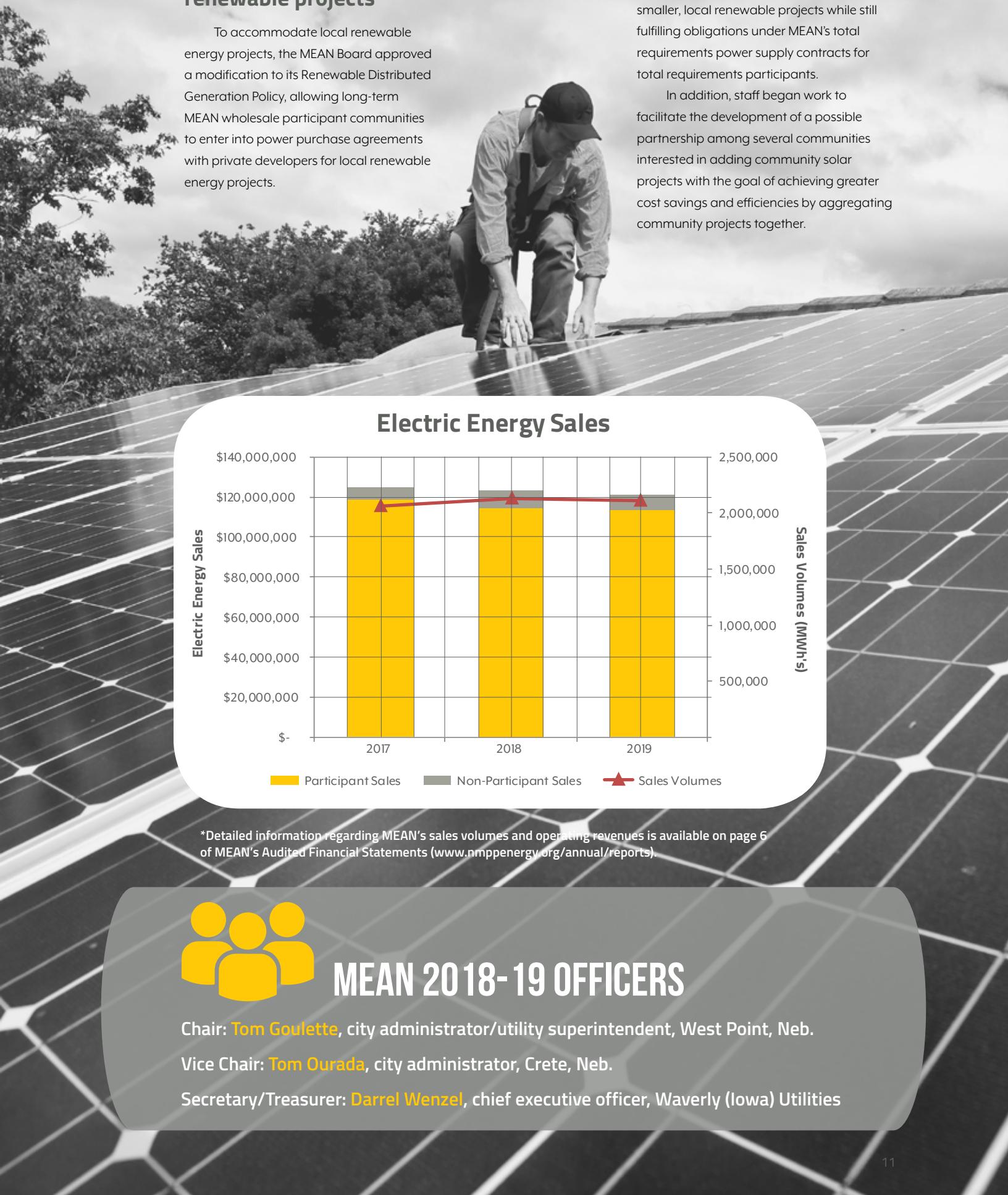
***Oil/Gas is participant generation, which is typically used only as stand-by resource for emergencies.

Accommodating local renewable projects

To accommodate local renewable energy projects, the MEAN Board approved a modification to its Renewable Distributed Generation Policy, allowing long-term MEAN wholesale participant communities to enter into power purchase agreements with private developers for local renewable energy projects.

The policy, originally adopted in 2016, accommodates the integration of smaller, local renewable projects while still fulfilling obligations under MEAN's total requirements power supply contracts for total requirements participants.

In addition, staff began work to facilitate the development of a possible partnership among several communities interested in adding community solar projects with the goal of achieving greater cost savings and efficiencies by aggregating community projects together.



MEAN 2018-19 OFFICERS

Chair: Tom Goulette, city administrator/utility superintendent, West Point, Neb.

Vice Chair: Tom Ourada, city administrator, Crete, Neb.

Secretary/Treasurer: Darrel Wenzel, chief executive officer, Waverly (Iowa) Utilities

NATIONAL PUBLIC GAS AGENCY

WHOLESALE NATURAL GAS

Adding value through Asset Management Arrangements

Staff assisted members in executing Asset Management Arrangements (AMA) on the Southern Star Central Gas Pipeline and Northern Natural Gas Pipeline resulting in savings for NPGA members served by those pipelines. An AMA is used to extract value from Capacity rights (assets) on a pipeline. Under various transportation agreements, capacity

(space on the pipe) must be paid for every month, whether or not it is used. Under an AMA, unused capacity is marketed and sold, thereby creating value back to the member.

Board approves gas supply contract with PEAK

The NPGA Board approved participation in a gas supply contract with the Public Energy Authority of Kentucky.

The 30-year agreement features

Formed in 1991, NPGA provides wholesale natural gas supply to 12 members and six customer communities.



multiple repricing periods during which NPGA will receive discounted natural gas supply for 1,000 MMBtu/day (Million British Thermal Units), which represents approximately 16 percent of NPGA's total gas load.

The pre-pay transaction provides discounted natural gas that will lower costs to NPGA members and enhance NPGA's ability to retain and attract prospective new municipal customers. Staff continues to look for gas supply contracts that would benefit NPGA members.

HIGHLIGHTS

\$5 MILLION

The NPGA Board in June 2018 approved a distribution of \$5 million from NPGA's net position, which was allocated to qualifying members. NPGA retains a cash reserve to help with volatility in commodity costs and usage.



NPGA 2018-19 OFFICERS

Chair: **Chris Anderson**, city manager, Central City, Neb.

Vice Chair: **Bob Lockmon**, utility superintendent, Stuart, Neb.

Secretary/Treasurer: **Randy Woldt**, utilities superintendent, Wisner, Neb.

Lowering costs through shippers group settlement negotiations

Staff made a concerted effort to strengthen important relationships with counterparties by participating in multiple pipeline meetings throughout the year.

Staff worked with a shipper's group in objecting to a Southern Star Pipeline Modernization Project, resulting in a savings of more than \$87,000 for NPGA Southern Star participants from the original proposal.

Staff assisted NPGA members served by the Tallgrass Pipeline system with settlement negotiations through a shipper's group regarding Tallgrass' overearnings due to the federal tax decrease pertaining to interstate pipelines. The settlement resulted in a reduction in transport costs of about 12 percent.

During summer of 2018, storage levels fell approximately 400 billion cubic feet (Bcf) out of the five-year historical range. In the U.S., natural gas withdrawals increased every month during 2018 except in June,

ultimately reaching a record monthly draw of 107.8 Billion cubic feet a day (Bcf/d) in December 2018. At the same time, however,

U.S. natural gas production grew by 10.0

National trends

Despite a winter season with near record cold temps, record storage withdrawals and record liquified natural gas (LNG) exports, little impact was felt on the natural gas market. Henry Hub spot pricing averaged just about the \$3 mark at \$3.076/MMBtu for fiscal year 2018-19. The year's

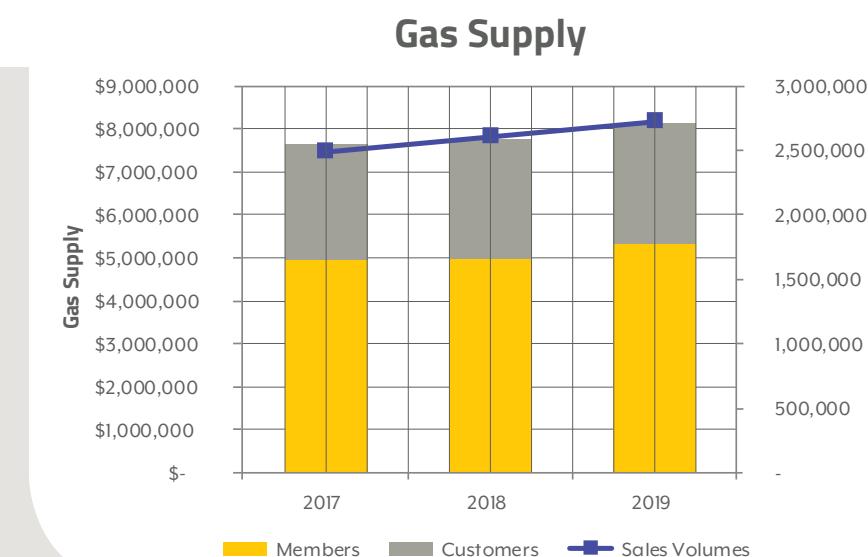
high was reached Nov. 14, 2018 with early frigid weather forcing a brief peak of \$4.802/MMBtu. Highly unusual, the low for the year was reached mid-winter, on Jan. 3, 2019, at \$2.48/MMBtu.

During summer of 2018, storage levels fell approximately 400 billion cubic feet (Bcf) out of the five-year historical range. In the U.S., natural gas withdrawals increased every month during 2018 except in June, ultimately reaching a record monthly draw of 107.8 Billion cubic feet a day (Bcf/d) in December 2018. At the same time, however, U.S. natural gas production grew by 10.0

Billion Bcf/d in calendar year 2018, an 11 percent increase from 2017. The growth was the largest annual increase in production on record, reaching a record high for the second consecutive year.

As natural gas production increased, the volume of natural gas exports – both through pipelines and as LNG – increased for the fourth consecutive year, reaching 9.9 Bcf/d. Total natural gas exports grew 14 percent in 2018, and LNG exports grew by 53 percent to 3.0 Bcf/d. The U.S. continued to export more natural gas than it imported in 2018, after 2017 saw the U.S. as a net exporter for the first time in 60 years.

The U.S. Energy Information Administration (EIA) forecasts dry natural gas production will increase to an average of 90.3 Bcf/d in 2019, an increase of about 7.5 percent from 2018. EIA further predicts production to grow in 2020 to an average of 92.2 Bcf/d. EIA forecasts Henry Hub spot pricing to average \$3.20 in 2019, compared to the \$3.29 it predicted for 2018.



*Detailed information regarding NPGA's sales volumes and operating revenues is available on page 5 of NPGA's Audited Financial Statements (www.nmppenergy.org/annual/reports).





ACE

PUBLIC ALLIANCE FOR COMMUNITY ENERGY

RETAIL NATURAL GAS

ACE, the Public Alliance for Community Energy, is a community-owned, not-for-profit retail natural gas supplier. Since 1998, it has provided competition in the Nebraska Choice Gas program and served as an advocate for its municipal members and their residents.

2018-19 Choice Gas program

ACE's again provided competitive rates during Choice Gas selection period in April. The 2018-19 year marked the 20th year of the program of which ACE has been the only supplier that has competed every year. ACE maintained its market share in the program in a highly competitive environment, securing nearly 18,000 accounts and nearly two million Dth (dekatherms) of natural gas volume. Overall, six natural gas suppliers participated in the program with ACE being the only not-for-profit and community-owned supplier.

ACE continued its grassroots marketing efforts regarding the benefits of a community-owned natural gas supplier and promoting ACE's primary mission: to benefit Nebraska customers by providing competition in the Choice Gas program.

\$300,000
distributed to ACE communities

Continuing its mission of giving back to Nebraska communities, the ACE Board approved a \$300,000 distribution to ACE communities through ACE's revenue distribution program. These funds have been used for a variety of community projects such as parks, playgrounds, youth programs and infrastructure improvements.

Since inception, ACE has returned more than
\$2.4 MILLION TO ACE MEMBER COMMUNITIES.



ACE 2018-19 OFFICERS

Chair: Andrew Devine, city administrator, Albion, Neb.

Vice Chair: Jeremy Tarr, electric superintendent, Broken Bow, Neb.

Secretary/Treasurer: Chris Rector, city administrator, Gibbon, Neb.

HIGHLIGHTS

COMMUNITY CLEANUP
FUNDED BY
ACE
PUBLIC ALLIANCE

FOR COMMUNITY ENERGY

Supporting communities
through clean-up efforts

owering Commu

ergy.org

ACE Project of the Year Awards

ACE implemented its Project of the Year awards during 2018-2019 to further promote ACE communities and the projects that are completed using funds from ACE's revenue distribution program. The award-winning projects, based on population categories, were determined by voting through social media. Each community award recipient received \$200 that goes toward a community project of their choice. The winning projects were:

- Long Pine, Neb. – Palace Floor Project
- Franklin, Neb. – Community Trash Receptacles Project
- Ravenna, Neb. – Ravenna Splash Pad Project

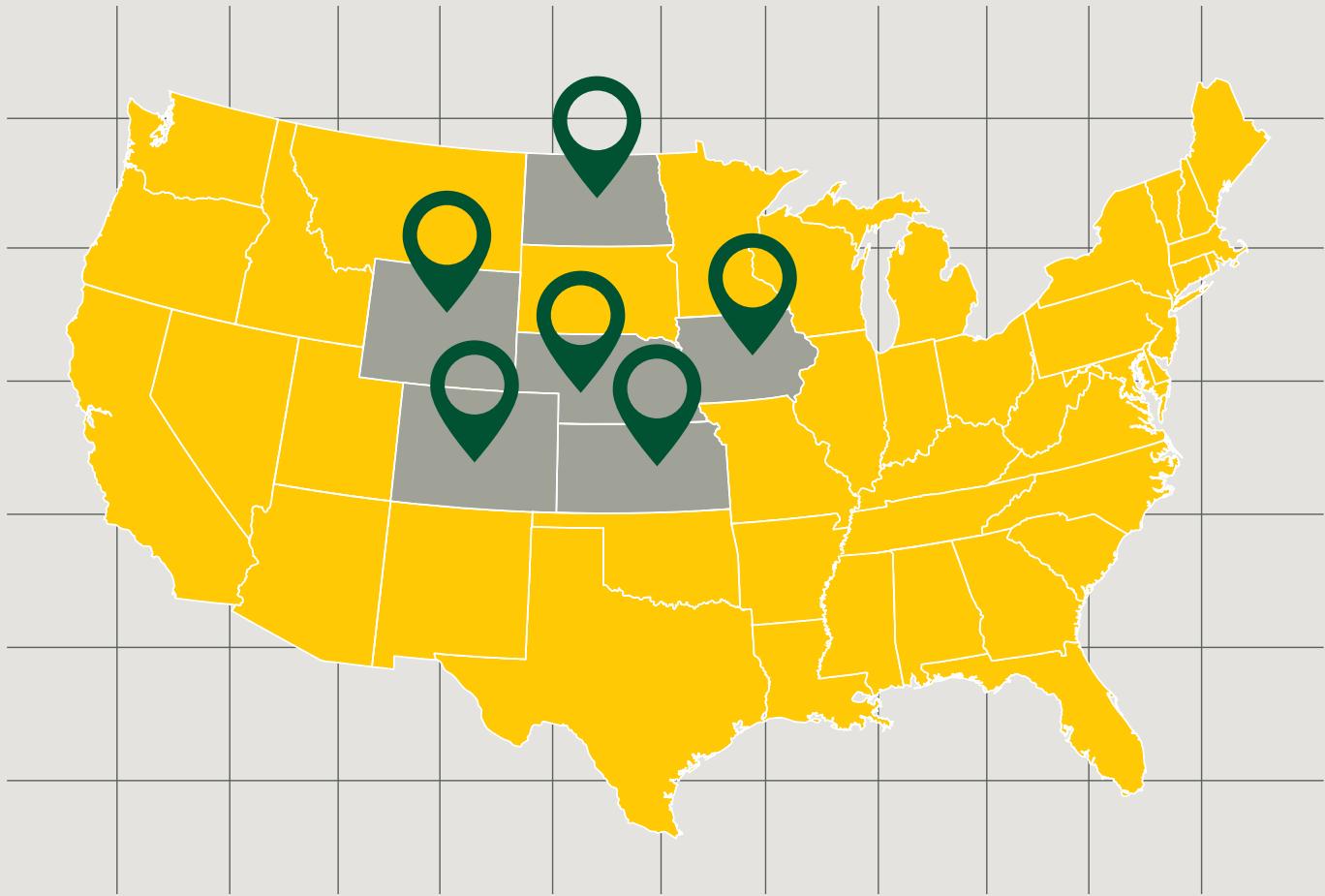
Assisting schools with purchasing strategies

Through its Choice Joint Utilities Management Program, ACE continued to provide competitive natural gas pricing to 45 schools in the Choice Gas program by strategically purchasing gas during different times throughout the year.

Advocating for all
Nebraska customers

ACE spent a considerable amount of time throughout the year advocating for all Nebraska customers by engaging in discussions regarding the Choice Gas program. ACE was involved in discussions with the Nebraska Public Advocate, Nebraska Public Service Commission and Black Hills Energy regarding the current Choice Gas program and its future.

NMPP ENERGY MEMBER STATES



Based in Lincoln, Neb.,
The organizations of NMPP Energy
serve 185 municipal utilities in six
states.

- Member Driven
 - Service Driven
 - Economic Value Driven
 - Values Driven
 - Staff Driven

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